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IMPACT OF CORPORATE ATTRIBUTES ON THE TIMELINESS OF FINANCIAL REPORTING OF LISTED FINANCIAL INSTITUTIONS IN NIGERIA

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Abstract: Financial report constitute essential ingredient for making informed decisions, thus, firms will have to provide the needed information as at when due towards ensuring timely financial reporting. The study examined impact of corporate attribute on timeliness of financial reporting of listed financial institutions in Nigeria. Firm age and Profitability are the corporate attributes studied. The study spanned for duration of 5 years starting from 2014 to 2018. A sample of 47 financial institutions listed on the Nigerian Stock Exchange was drawn from the total of 57 financial intuitions, giving a total of 235 observations. Secondary data were utilized in the study. The Hausman specification test conducted suggested the interpretation of the random effect regression. The random effect regression showed that, firm age is positively and significantly impacting on timeliness of financial reporting while profitability is negatively and significantly impacting on the timeliness of financial reporting of listed financial institutions in Nigeria. The study recommended engagements in activities that are capable of increasing its profitability status so as to ensure timely financial reporting.

Keywords: Timeliness of financial reporting, Firm Age and Profitability

BACKGROUND TO THE STUDY

The significance of timely financial reporting cannot be overemphasized because of it numerous importance for investment decision purposes. The Security and Exchange Commission (SEC), (2018), highlighted on the significance of timely financial reporting; as a fulcrum that dictates viable investment decisions from limited resources. Information is a key factor for investment decision and the timelier the information, the better the

chances of making decisions that put several factors into consideration. International Accounting Standards Board (2010) asserted that, timeliness of financial reporting connotes "having information available to decision makers before it loses its capacity to influence decisions." Furthermore, Nahla, HasnahandMazrah, (2019) perceived it as the least time possible or the ceiling time within the statutory period that financial reports are presented to stakeholders. Failure for financial report to meet the ceiling time statutorily recommended will lead to delay which is detrimental for investment decision purposes.

Financial institutions in Nigeria are very paramount considering their ever increasing roles in channeling funds from areas of surplus to areas of deficits. Hence, timely financial reporting in the financial institution gives stakeholders ample opportunity to make informed decisions that will boost the sector for effective financial mediation. Firm characteristics are factors that influence audit report time, but in what way? Basically, the study looked at profitability and firms' age. Enni, Andreas and Raja, (2019) noted that, profitability is the key motive behind every corporate entity. But, sometimes, operational hazard leads to losses which affect the survival of the firm. Profitable entities report profit faster than loss because of its positive implications on investment decisions (Fagbemi & Uadiale, 2011). Older firms are more static than new firms with smooth accounting systems that ease financial reporting, hence timely reporting. Ehijiele and Olukoya (2018) argued contrary that older firms have huge tendency of engaging in earnings management practices that lead to delay in financial reporting when compared to new firms.

The Companies and Allied Matters Act CAMA (1990) as amended gave a maximum of 90 days for financial institutions to publish their annual accounts.However, Adebayo and Adebiyi (2016) noted that, there is minimal compliance by financial institutions in Nigeria. This led to growing concern by stakeholders in financial institutions on the inherent breach in statutory time frame in financial reporting (Bakare, 2020). This premise was made in line with the Nigerian Stock Exchange (2018) report that asserted that in the non-bank financial institutions, 81% breached the statutory timeframe with various delay time while only 19% met the time required by regulations. Bakare (2020) further noted that, this delay has caused a huge loss within the sector in the form of fine of N240billion from 2013 to 2017. SEC (2018) report noted that some Deposit Money Banks in Nigeria (UBA, Unity Bank, WEMA Bank, First Bank of Nigeria, Fidelity Bank) for the period from 2014 to 2018 has failed in meeting the statutory time for publishing financial report with various reporting time. This is an issue that if not carefully addressed could devastate the sector considering the uncertainties associated with audit delay.

Literature on firms' attributes and timeliness of financial reporting yielded conflicting findings and the predominant literature emanated from the advanced

economy of the world (Soltani, 2002; Frost & Pownall 1994). More so, literatures in the developing economy (Paul & Waidi, 2016; Adebayo and Adebiyi, 2016; Ilaboya & Iyafekhe, 2014) still have conflicting results, perhaps, the industry specific nature of these studies. Therefore, there is a need to look at it from a bigger platform by studying a whole financial sector that comprised of various financial institutions. Considering the significance of timely financial reporting for investment decisions, this study is premised on the persistent failure by financial institutions in failing to meet statutory requirement. The study aimed to fill the gaps by examining the effect of firms' characteristics on the timeliness of financial reporting of listed financial institutions in Nigeria. Audit quality will be introduced as control variable to cushion the effect of the variables studied.

The main objective of this studyis to assess the effect of firms' characteristics on the timeliness of financial reporting of listed financial institutions in Nigeria. Specifically, the study seeks to;

(1) Assess whether firm age has a significant effect on the timeliness of financial reporting of listed financial institutions in Nigeria.

(2) Examine whether profitability has a significant effect on the timeliness of financial reporting of listed financial institutions in Nigeria.

In line with the objectives advanced above, the following hypothesis are formulated in the null form

$H0_1$: Firm agehas no significant effect on the timeliness of financial reporting of listedfinancial institutions in Nigeria

$H0_2$: Profitabilityhas no significant effect on the timeliness of financial reporting of listedfinancial institutions in Nigeria.

EMPIRICAL LITERATURE

Firm Age and Timeliness of Financial Reporting

Oraka, Okoye and Ezejiofor (2019) examined thedeterminants of financial reporting timeliness of listed DMBs in Nigeria. 16 listed DMBs were studied for the period of 9 years starting from 2009 to 2017 and data were sourced from secondary sources; from annual report. The regression result showed that, bank age is significantly and negatively affecting the timeliness of financial reporting of banks in Nigeria. This connotes that, older banks comply to statutory requirement for disclosing annual account early. The smooth internal accounting system ensures fluidity of accounting task. The study was industry specific and has a total of 144 observations, which fell below the benchmark (150) for panel data analysis. However, Ehijiele and Olukoya (2018) studied the timeliness

of financial reporting in Nigeria and sourced data from secondary sources for a period of 6 years ranging from 2010 to 2015. The study made use of a sample of 40 quoted firms across all sectors of firms listed on the Nigerian Stock Exchange. The regression results showed a positive and significant effect of firm age on the timeliness of financial reporting of quoted firms. This connoted that older firms delay financial reporting. Desire to engage in earnings a management practice is a convenient reason for such delay. The finding is in consonant with those of; Alexander and Fatimoh (2015) and Efobi and Okougbo (2015).

Galuh (2018) studied 29 banks from a total of 87 banks in Indonesia from 2010 to 2012 using purposive sampling technique. The outcome of the logistics regression showed that, there is positive but insignificant effect of firm age on the timeliness of financial reporting. The short comings of this study was, the number of observation was very small and as such, was inappropriate for a panel data analysis. Conversely, Haldar and Lokanath (2017) explore thetimeliness of financial reporting of 50 pharmaceutical firms in Indian for a period of three years; from 2012 to 2014 and data were sourced from secondary sources. The OLS regression result showed a negative and significance effect of firm age on the timeliness of financial reporting. This meant that, older firms make their annual account public on time. The organized accounting system in older firms ease verification of accounting details that eventually translate to early publications of the firms' books of accounts. This finding is in tandem with those of; Omar and Ahmed (2016) and Owusu-Ansah (2000).

Profitability and Timeliness of Financial Reporting

Enni, Andreas and Raja (2019) examined a sample of 78 trade, services and investment firms from a population of 180 firms quoted on the floor of the Indonesian Stock Exchange from 2014 – 2016. The outcome of the multiple regression showed that, profitability had a negative and significant effects on the timeliness of financial reporting. This implied that, profitable firms take little time to present their accounting reports. This is hinged on the assumption that, the smooth internal control system in profitable firms usually ease audit task. The period of the study is its major drawback because the timeframe is short. Similarly, Paul and Waidi, (2016) studied a sample of 15 listed DMBs in Nigeria for a nine (9) years period, starting from 2005 to 2013 and found that, profitability is negatively and statistically significant in influencing the the timeliness of financial reporting. Khasharmeh and Aljifri (2010) as well as Izilin, Famous andPeter (2012) found negative and significant effect of profitability on the timeliness of financial reporting.

In addition, Efobi and Okougbo (2015) examined 33 financial institutions listed on the floor of the NSE from 2005 to 2008 using secondary data. The outcome of the

generalized least square regression showed that profitability is negatively and significantly influencing the timeliness of financial reporting. Profitable firms are quick to make public their annual report to attract more investment and thus further profit earning. However, Ehijiele and Olukoya (2015) studied a sample of 40 firms, listed on the NSE from 2010 to 2015. The GLS regression showed that, profitability has no significant effect on financial reporting timelines.Khasharmeh and Aljifri (2010) and Izilin, Famous andPeter (2012)

More so, Tina and Marko (2014) examined audit delay in Croatia using pooled OLS regression analysis from 2008 to 2011. The outcome of the regression analysis showed that profitability is negatively and statistically significant impacting on the timeliness of financial reporting. Similarly, Khalid and Qais (2012) studied 137 Jordanian firms listed on the Jordanian Stock exchange in the year 2010 using secondary data. The regression result found profitability to be negatively and significantly influencing the timeliness of financial reporting of the Jordanian firm. Wan-Hussin, and Bamahros (2013) opined that that, timely disclosure of firms' financial report reduces the scourge affiliated with information asymmetry. Timely presentation creates adequate information for investors and stakeholders to make informed decision with regards to investment in the firm.

Theory

The study used the Single Person Decision Theory that was propounded by Ball and Brown (1968) to underpin the study. The theory emphasized on the need for information as a guide for making investment decision. Absence of information creates unfavorable platform for making investment decision. Effective investment decision is a bye-product of visible variables that shapes and reposition thought. Investment decision becomes effective when financial reports are available to aid the investors in decision making.

METHODOLOGY

Correlational research design is adopted by this research. Data were sourced from secondary sources and careful effort was put in extracting the data from annual reports. The population of the study comprised all the 57 listed financial institution on the NSE for a period of 5 years, starting from 2014 to 2018. A sample of 47 financial institutions (83% of the population) was used in the study through filters. Filters employed at arriving at the samples were: firms to be selected must; be listed on the NSE prior to the year 2013, have complete information for the period and be actively trading on the NSE for the period under review. Firms that did not meet the criteria constituted 17% of the population.

VARIABLES MEASUREMENT

The measurement of the dependent and independent variables are provided in table 1 below.

S/No	*Variables*	*Notations*	*Measurements*	*Apriori Expectations*
1.	**Dependent Variable**			
	Timeliness of Financial Reporting	TFR	Measured using the audit report lag in days following the fiscal year-end until the date of the audit report. (John & Fyneface, 2017; Waidi, 2016)	
	Independent Variables			
2.	Firm Age	FA	Firm age is defined as the number of years the company is in operation since its incorporation to the period under study (Oraka, Okoye & Ezejiofor, 2019; Alexander & Fatimoh, 2015)	
3.	Profitability	PROF	PROF is measured using ROA (Enni, Andreas & Raja, 2019; Paul & Waidi, 2016)	
	Control Variables			
4.	Audit Quality	AQ	AQ is operationalized with audit firm type. 1 for big4 and 0 for non-big4 (Murat & Evrim, 2018; Rusmin & John, 2017).	—

Source: Authors Compilation

Model Specification

A panel data model is utilized by the study and it is succinctly put below:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \ldots\ldots\ldots \beta_n X_{nit} + \mu_{it} \quad (1)$$

This led to the second model explaining the relationships between firms' characteristics and timeliness of financial reporting.

$$TFR_{it} = \beta_0 + \beta_1 FA_{it} + \beta_2 PROF_{it} + \mu_{it} \quad (2)$$

After introducing the control variables, the model is as follow:

$$TFR_{it} = \beta_0 + \beta_1 FA_{it} + \beta_2 PROF_{it} + \beta_3 AQ_{it} + \mu_{it} \quad (3)$$

Where:

TFR = Timeliness of Financial Reporting
β_0 = Intercept.
$\beta_1 - \beta_3$ = Coefficients of the explanatory variables.
FA = Firm Age.
PROF = Profitability.
AQ = Audit Quality.
μ = Error term
it = firm 'i' at time 't'

RESULTS AND DISCUSSIONS

Descriptive Statistics

Table 4.1: Descriptive Statistics Table

Variables	*Min*	*Max*	*Mean*	*Std. Dev.*	*N*	*Swilk-test*
TFR	27	176	87.39149	27.24219	235	0.00000
FA	8	58	33.76596	12.13002	235	0.00000
ROA	-0.69	1.13	0.003688	0.130141	235	0.00000
AQ	0	1	0.646809	0.478982	235	0.91249

Source: STATA Output as per appendix

From table 4.1 below, the timelier financial reporting was 27 days after the accounting year end while 176 days was the maximum delay recorded in the financial sector within the study period and sample. The mean of 87 days showed that, on the average financial institutions experience comply with the financial report within the 90 days window. The lowest firm age for the period is 8 years while 58 stood as the highest firm age within the study period. Average firm age stood at 34 years and the standard deviation

Table 4.2: Correlations of Variables Table

Variables	*TFR*	*FA*	*ROA*	*AQ*
TFR	1.0000			
FA	0.1402*	1.0000		
ROA	-0.3994***	-0.0138	1.0000	
AQ	-0.1200	0.0034	-0.0009	1.0000

*** Denotes significance at 1%
** Denotes significance at 5%.
* Denotes significance at 10%.

of 12 showed the wide disparity of the firm ages from the mean. From the sampled firms, the least return on asset was -0.69 kobo while N1.13 was the highest return on asset earned for the period. A high standard deviation showed the presence of losses record by some firms for the period. The Shapiro-wilk test conducted showed the data sets to be normally distributed and as such, it is suitable for parametric analysis.

Timeliness of financial reporting and firm age are positively but insignificantly related. This showed that the relationship is direct but no statistical significance that could have given the strength of the relationship. Profitability and timeliness of financial reporting have inverse and significant relationship at 1% level. The inverse relationship connoted that they move in opposite direction. This opposite relationship entails increase in one is likely to cause a decrease on the other. If profitability increases, financial reporting period will decrease, hence, increase in timely financial reporting.

Robustness Tests

The study conducted the Breusch-Pagan / Cook-Weisberg test for heterosckedasticity and found the hottest has a chi^2 value of 19.98 with a probability (0.0000) that is significant at 1%, thus suggesting further test. Tolerance and variance inflation factor test were conducted and all the values were within the acceptable bench-mark. The threshold is for the VIF to be less than 10 while the tolerance value is less than 1. The test suggested absence of multicollinearity. Furthermore, the Breusch and Pagan Langragian multiplier testconducted had a value of 78.38 which is significant at 1% (0.0000), suggested that, the random effect regression is suitable for interpretation.

Table 4.3: Summary of Regression and Tolerance and VIF values

Variables	*Co-efficient*	*Z-Stat.*	*Prob.*
CONSTANT	76.98368	9.69	0.000
FA	0.3522361	1,69	0.092
ROA	-52.87023	-4.91	0.000
AQ	-1.995647	-0.45	0.654
R^2 Between	0.2981		
R^2 Overall	0.1782		
Wald Chi2 (3)	27.27		
Prob.>chi2	0.0000		

*** Denotes significance at 1%.

** Denotes significance at 5%.

* Denotes significance at 10%.

The model for the study is fit; having a Wald-Chi-square statistics value of 27.27 which is significant at 1% (0.0000). The overall R^2 of 29.81% explained that, the explanatory variables explained 29.81% of the result while the remaining is accounted for by variables not within the scope of the study.

Firm age has a positive coefficient value of 0.35 days and positive a Z-statistics value of 1.69 with a probability that is statistically significant at 5% (0.142). On the bases of this finding, we reject the null hypothesis earlier state. The outcome suggested that, older firms have the tendency for late financial reporting when compared to new firms. This can be attributed to complexities in the operational mechanisms associated with older firms or the desire to engage in earnings manipulation. The outcome of this study confirms that of the following researchers; Zalailah, Saeed and Norsiah (2017), Apadore and Noor (2013) but not in tandem with the works; Nahla, Hasnah and Mazrah (2019), Chinedu,Ifeoma and Theresa (2016) and Ahmed and Neila (2016).

In addition, profitability has a coefficient value of -53 days and a Z-statistics value of -4.91 that is statistically significant at 1% (0.000). This inverse and significant relationship connotes suggested that, we reject the null hypothesis formulated in respect to this variable. The outcome of the study connotes that; increase in profitability will reduce audit delay, hence, increasing the timeliness of financial reporting. Profitable firms hardly engage in unethical accounting practices that are capable of upsetting financial reporting timeliness. In addition, profitable firms may wish to attract investors by making their financial report ready on time. This findings is in tandem with the single person decision theory. The outcome is in line with result of the following studies; Enni, Andreas and Raja (2019), Paul and Waidi, (2016), Efobi and Okougbo (2015), Tina and Marko (2014) and Khalid and Qais (2012).

CONCLUSION AND RECOMMENDATIONS

Financial report is a crucial source of information for making informed decisions. Investors rely on the information content to be able to arrive at decisions that are backed by empirical evidence. Therefore, if these reports are delayed, there is tendency of creating avenue for information asymmetry among market participant which is capable of placing certain stakeholders at positions of advantage at the detriment of the other market participants. This study examined the impact of corporate attributes on the timeliness of financial reporting of listed financial institutions in Nigeria from 2014 to 2018. The study tested two (2) hypotheses. Findings from the study necessitated the failure to reject the null hypotheses formulated. Firm age impacts positively and significantly on the timeliness of financial reporting while profitability impacts negatively and significantly on the timeliness of financial reporting of listed financial institution

in Nigeria. The study recommends increase in activities that are likely to increase profit of firms, thus, increasing financial reporting timeliness.

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